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C O N F I D E N T I A L SECTION 01 OF 02 LA PAZ 001149

SIPDIS

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TAGS: [PGOV](#) [PREL](#) [ECON](#) [BL](#)
SUBJECT: HARDER EUROPEAN LINE ON EVO

Classified By: A/DCM Mike Hammer for reasons 1.4 (b) and (d)

11. Summary. After almost two months of a Bolivian government campaign to curry international opinion and sponsor delegations from the OAS and neighboring countries, three prominent European leaders have complained publicly about the Bolivian governments "nationalizations" of private hydrocarbon and telecommunications companies. The UK's Minister for Latin American Affairs Kim Howells and European Commission Foreign Relations Director Eneko Landaburu also expressed concern over Bolivia's handling of the autonomy issue and democracy in Bolivia in interviews with leading daily La Razon May 15 and 16, respectively. Howells also blasted the growth of coca leaf and, therefore, cocaine during the Morales administration. European Commission Deputy Director General for Trade Karl Falkenberg also complained about Bolivian nationalizations speaking from the EU-Latin American summit in Lima. Separately, EcoPol contacts told us Bolivian Senate President Oscar Ortiz has an appointment with the Pope May 28 and the German Bundestag May 29 or 30. End Summary.

UK Minister Warns of Grim Foreign Investment Future

12. (U) The British Foreign Ministry's Latin American Affairs Minister provided a frank and negative assessment of Bolivia's investment climate and narcotics policy in an interview with leading daily la Razon published May 16. Minister Kim Howells said one of the reasons Bolivia is not reaching its economic potential despite its vast natural resource wealth is lack of foreign investment. Howells said Bolivians should realize that international investors are concerned about investing in an "uncertain" Bolivia. He said investors are "concerned about whether they will get a return on their investments or if they are going to lose (their investments) because they will be nationalized." He said investors would look to "more stable countries" if Bolivia takes an inward-looking economic approach. "If Bolivia only looks internally, it will not succeed and no country will help it succeed either." Howells said he shared these

concerns with Foreign Minister David Choquehuanca. Howells said autonomy issues should be resolved democratically and legally, but that in Bolivia autonomy had developed into an "unnecessary crisis" resulting in "much insecurity" to investments.

Coca "Superproduction" Boosts Cocaine Production

¶3. (U) Turning to narcotics, Howells argued it is a "fallacy" to pretend that the increased "superproduction" of coca leaf in Bolivia does not result in increased production of cocaine. Howells said arguments that the increased production could be industrialized for legal uses "do not make sense." He argued that great quantities of coca are not needed for legal markets and that if pharmaceutical companies wanted coca industrialization for legal drugs "they would have done it by now."

¶4. (U) Howells asserted that increased Bolivian production of coca leaf during Evo Morales' two years as president is substantiated by UN and other data. He asserted it is a "fact" that increased leaf cultivation results in increased cocaine, and therefore Bolivia's upturn in coca leaf production during Morales' tenure is a "general concern internationally." He added that the increased production of Bolivian cocaine was headed to overseas markets in Europe and Africa, not the United States. He urged continued cooperation in counter-narcotics and stressed the importance of convincing farmers to licit crops. "Bolivia could be a

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very productive (agricultural) country and it is a shame that it is permitted to produce something (cocaine) that does not benefit anyone and causes so much suffering."

EU Voices Nationalization and Democracy Concerns

¶5. (U) European Commission Foreign Relations Director Eneko Landaburu met with President Morales May 14 to express support for the Bolivian Government, but also to raise concerns about the nationalization of Entel. In an interview with news daily La Razon, he reiterated the EU's willingness to facilitate dialogue between the Morales administration and the opposition, noting that Bolivia needs a constitution that unites the country instead of one that promotes the rights of some groups over others.

¶6. (U) Speaking from the EU-Latin American summit in Lima, the European Commission Deputy Director General for Trade Karl Falkenberg also said that the GOB's nationalization of Entel complicates negotiations with the Andean Community of Nations (CAN). Morales responded by criticizing Peru and Colombia for promoting FTAs with the EU.

Opposition to Bring Complaints to Europe

¶7. (C) Opposition and evangelical organizer Javier Flores told PolOff May 14 that he will accompany Senate President Oscar Ortiz on a meeting with the Pope May 28 and with the German Bundestag Committee for Latin American Relations May 29 or 30. Flores said they may try to squeeze in a trip to Brussels or Amsterdam, but had no appointments. He added it would be a short trip because Ortiz wanted to return to Bolivia in advance of the June 1 autonomy referendums in Beni and Pando Departments. Santa Cruz Governor Ruben Costas departed May 16 for meetings in Valencia Spain, Brussels, and Madrid. He is scheduled to return to Santa Cruz on May 23.

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